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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

December 16, 2002

President George W. Bush
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

We are writing to request that you provide adequate funding for housing and community development programs in the Administration's fiscal year 2004 budget, which will be sent to Congress early next year. The U.S. Department of Housing and Urban Development (HUD) operates programs that provide housing assistance to millions of Americans and help to revitalize and strengthen communities across the nation.

This year, the Senate Committee on Banking, Housing and Urban Affairs undertook a thorough review of housing needs among low-income Americans, and we heard extensive testimony that the housing needs in this country continue to grow. It is estimated that 14 percent of American families have worst case housing needs. These families pay over half of their income in rent or live in substandard housing. The significant gap between the wages of low-income workers and housing costs makes evident that housing assistance is necessary for many working families. On average, a family in this country needs to earn almost \$15 an hour to afford a modest 2-bedroom apartment. This is almost three times the minimum wage.

When millions of American families are unable to afford decent and safe housing, the consequences are serious and far-reaching. When children do not have stable home environments, their health suffers as does their educational attainment. Studies have shown that inadequate housing is linked to increased rates of asthma and respiratory disease, lead poisoning, and poor nutrition. Clearly, children facing these health problems are unable to perform as well in school. In addition, families with unstable housing tend to move often, resulting in difficulty on the part of children in keeping up at school. Recent studies show that children who move frequently are more likely to have attendance problems, thus leading to decreased educational attainment. This is a real problem among poor Americans. A recent study found that 30 percent of children in families earning less than \$10,000 and 20 percent of children in families with incomes between \$10,000 and \$25,000 attended at least three schools by third grade. Providing housing assistance to these low-income families would help to ensure that more children are able to learn in stable environments.

Stable housing also helps to promote employment. Recent studies in Massachusetts and Minnesota, as well as a nationwide evaluation of welfare to work programs, found that people leaving welfare who received assisted housing were able to retain employment longer than other welfare leavers. Welfare leavers with housing assistance also earned more than their counterparts who did not receive housing assistance.

Based on the data and information presented to the Committee, it is clear that a substantial commitment to federal housing programs is necessary and that an adequate budget for HUD programs is essential. There are many programs that make up this nation's housing strategy, and we have outlined some of the programs we feel are most important.

Public Housing

Over 1.5 million families reside in public housing, housing that is generally safe and decent. However, this older housing stock is in need of constant maintenance. Capital needs in public housing grow by \$2.3 billion every year, and an independent consultant has estimated that the backlog of needed capital repairs is over \$20 billion. If we do not adequately fund the Public Housing Capital Fund, this backlog will continue to grow, threatening the homes of 1.5 million American families and the federal government's substantial investment in this housing. Given the great need for capital repairs in public housing, we urge the Administration to fully fund the Capital Fund at \$3 billion, the level at which it was funded in FY2001.

Public Housing Operating subsidies must also keep pace with increasing costs. Unfortunately, Congress recently learned that there is a \$250 million shortfall in the Public Housing Operating Fund and that approximately 800 public housing authorities (PHAs) will only receive funding for about half of their operating expenses. It is unclear how PHAs will continue to operate their public housing under this scenario. We urge the Administration to seek adequate funding in next year's budget to fully cover the needs of PHAs around the country. While the FY2003 budget sought an additional \$45 million for the Operating Fund, clearly this is not enough of an increase to cover public housing operating expenses. Millions of Americans live in public housing, and it is imperative that their housing be maintained and well-funded.

While a great majority of public housing is decent and safe, there are some public housing developments that do not provide adequate housing to families in need. These developments are being transformed through the HOPE VI program, which provides grants to PHAs to demolish and rebuild the deteriorated housing helping to revitalize neighborhoods. We hope you will adequately fund this important program. In addition, we support full funding for the Public Housing Drug Elimination Program, which helps create safe living conditions for the millions of Americans living in public housing.

Section 8 Housing Vouchers

Approximately 1.8 million families are able to afford housing costs through the Section 8 voucher program. This is the nation's largest housing program and it must be fully funded and

efficiently managed. While the Administration noted in last year's budget submission the problem with rising costs in the Section 8 program, increases in the budget are needed merely to maintain housing for families already assisted. Although budget authority has risen each year to reflect annual contract renewals, outlays have remained relatively steady.

There is some concern about under-utilization in the voucher program. However, over 95 percent of vouchers are currently in use, and according to HUD 97 percent of all vouchers will be used by the end of fiscal year 2003. We expect these utilization rates to rise, as many housing authorities are taking measures to better manage their Section 8 programs, and as HUD implements its program to reallocate unused vouchers. Many housing authorities are making progress in their Section 8 programs, and we urge you to fully fund all renewals of Section 8 contracts so they can continue towards 100 percent utilization. If we only renew 95 or 97 percent of authorized vouchers, we will permanently lose tens of thousands of vouchers which could be used by low-income families.

Homeless Programs

As more and more stories come forward about the plight of the homeless around the country, it is imperative that federal programs aimed at helping homeless people find permanent housing be well-funded. During the course of this year, about 3 million people will experience homelessness for some amount of time, and on any given night, approximately 750,000 people are homeless. American families should not find themselves on the street.

We applaud the Administration for its efforts in this area and for your initiative to end chronic homelessness in ten years. In order to end homelessness for the 150,000 people who are chronically homeless, permanent, supportive housing must be available. Currently, the Shelter Plus Care program and the Supportive Housing program provide supportive housing for these chronically homeless individuals. However, without full funding of renewals of this permanent housing and a substantial increase in the resources for permanent supportive housing, the Administration's goal will certainly not be met. A recent study done by Dennis Culhane of the University of Pennsylvania found that providing permanent housing to homeless individuals costs about the same as providing services to those individuals on the street. The cost of shelter beds, jail time, and hospital stays is the same as providing a person a permanent place to call home. Increased funding for permanent supportive housing not only makes sense, but it is cost-effective. Your continued support of the homeless programs is essential.

Lead Paint Programs

As we learned in hearings held this past year, the problem of lead based paint poisoning is troubling and widespread. Unfortunately, millions of children around the country are afflicted with lead poisoning to various degrees. In order to ensure that American children are not in danger, funding is needed to test and take remediative action where lead based paint is found. We strongly support the FY 2003 Senate HUD appropriations bill which increases funding for lead paint programs by \$90 million. We urge the Administration to seek this level of funding in the FY 2004 budget.

HOME and CDBG

We urge the administration to fully fund both HOME and CDBG, flexible sources of funding which help communities meet their most pressing needs. Through these flexible programs, states and localities are able to build housing for people in need, provide rental subsidies, rehabilitate housing and public facilities, and provide needed public services to low- and moderate-income families. While HOME is a primary vehicle for rental housing production, additional resources for rental housing production are also necessary to meet the needs of the millions of families unable to afford housing costs. We urge the Administration to include additional housing production resources in the FY 2004 budget. In addition, in order to protect the federal investment in affordable housing and to ensure that families do not lose their homes, funds for housing preservation are needed. We hope that you will address this pressing need in your budget.

Rural Housing

Unfortunately, the last two budget submissions contained no funding for the Rural Housing and Economic Development (RHED) program. RHED helps to enhance the capacity of rural non-profits to fund innovative housing and development programs and provides seed support for these activities. HUD's own budget justifications in FY 2003 recognized that the RHED program was an important function of HUD, stating that "it is imperative that rural regions have greater access to community and economic development funds that would foster investment in economic opportunities." We urge that you request full funding for this program to make sure that organizations in rural areas have the necessary capacity and adequate resources to address their unique housing issues.

Housing for People with Special Needs

HUD programs for the disabled, elderly and people living with HIV and AIDS provide housing for this nation's most vulnerable populations. These families need housing assistance more than ever. Over 7.4 million elderly households pay more than they can afford for housing, including 1.4 million very-low income households paying over 50 percent of their income in rent. Disabled people on SSI, on average, must spend almost 70 percent of their SSI check on housing. We urge the Administration to fully fund these programs that make it possible for these families to live independently in decent and safe housing.

Native American Housing

The Native American Housing Assistance and Self Determination Act (NAHASDA) was reauthorized by Congress this year in recognition of the unique housing needs of Native Americans. Due to the significant numbers of Native Americans living in substandard housing, it is critical that NAHASDA be fully funded in the FY04 budget.


These programs are just examples of the important work that HUD does to house families in need and improve communities. As you put together your budget recommendations, we

respectfully request that you provide full funding for the critical work of the Department of Housing and Urban Development.

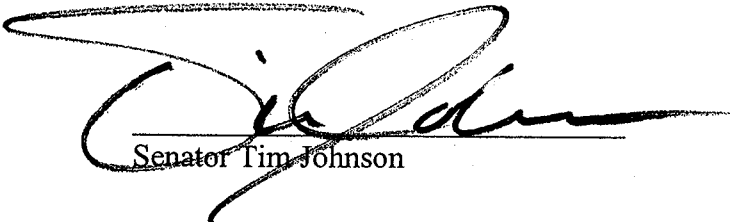
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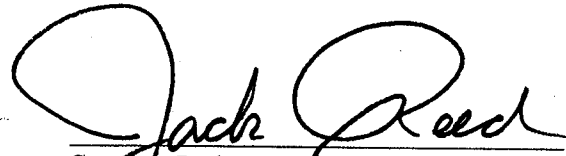
Senator Paul S. Sarbanes



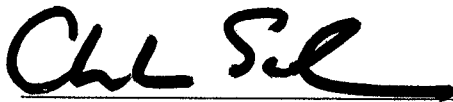
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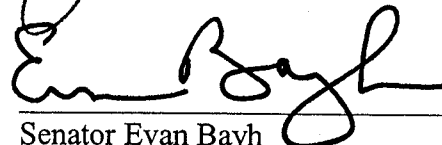
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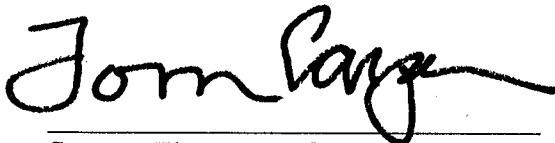
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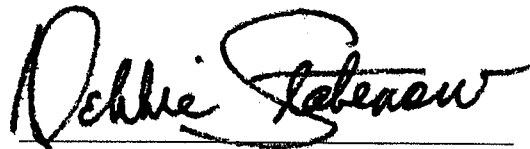
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